SGH Property Income Fund

31 October 2018

SG HISCOCK & COMPANY

Fact Sheet

Investment objective	A dividend yield (before fees) which is higher than the S&P/ASX300 A-REIT Accumulation Index and a total return in excess of the CPI + 3% over rolling five year periods (before fees).		
Investments held	The Fund primarily invests in A-REITs and may also invest in real estate management, development and infrastructure securities. An A-REIT is a collective investment vehicle, which owns a portfolio of real property, thus providing for a wider form of ownership. A-REITs are listed on the ASX, and their prices fluctuate with supply and demand, as with equity instruments. As a rule A-REITs derive the bulk of their income from rental property income. The Fund generally seeks to invest in A-REITs that exhibit an above average proportion of their income sourced from rents rather than more volatile income streams such as third party construction or development. As a result of this strategy, the Fund's investment portfolio has very different weights to that of the S&P/ASX300 A-REIT Index. The S&P/ASX300 A-REIT Index has changed so much that there is now a significant concentration of the largest stocks in this index. The Investment Manager believes that the investment strategy for the Fund is likely to provide superior portfolio diversification (by setting a maximum portfolio weight for any individual security in the portfolio at 15%), and the potential for a higher income yield than the S&P/ASX300 A-REIT Index.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0119AU	**mFund Product Code**	SHF03
Commencement	30 November 2005	**Buy spread**	+0.25%
Management costs[1]	0.95% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$20,000	**Investment pool size**	$284.81 million

Unit Prices	**Application**	**Net Asset Value**	**Withdrawal**
31 October 2018	$ 0.3229	$ 0.3221	$ 0.3213

Performance as at 31 October 2018[2]	**1 mth %**	**3 mths %**	**6 mths %**	**1 yr %**	**3 yrs % p.a.**	**5 yrs % p.a.**	**7 yrs % p.a.**
Distribution Return	0.00	0.24	5.84	7.58	12.74	13.23	11.62
Growth Return	-3.83	-5.11	-5.03	-5.08	-6.24	-3.42	1.51
Total Net Return	-3.83	-4.87	0.81	2.50	6.50	9.81	13.13
CPI + 3% pa	0.35	1.05	2.10	4.20	4.60	4.80	4.97
S&P/ASX 300 A-REIT Accum. Index	-3.12	-2.13	4.06	7.31	7.43	11.30	14.20

Top 5 holdings as at 31 October 2018
Vicinity Centres
Scentre Group
Stockland Property Trust
Unibail-Rodamco-Westfeild -CDI
Charter Hall Retail REIT

Top 5 holdings represent 62.95% of the total Fund.

Distribution Period	**Cents per Unit**
30-Sep-17	0.1996
31-Dec-17	0.4160
31-Mar-18	0.1871
30-Jun-18	1.9741
30-Sep-18	0.0852

Asset Allocation as at 31 October 2018	
Australian REITS	97.80
Cash	2.20

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1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.

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Strategy

We continue to target AREITs that provide solid fundamentals over the medium-to-long-term that are trading attractively relative to other AREITs. Overall we endeavour to invest in entities that offer a combination of:

- A Net Present Value ("NPV") Discount;
- An Internal Rate of Return ("IRR") Premium;
- Ideally a (Real, not manufactured) Free Cashflow Yield Premium; and
- A Lower Price to Net Asset Value ("NAV").

Whilst the equity markets both here and abroad experienced a major bout of volatility in October, the AREITs were sought for their "safe-haven" status, this time in-terms of their Value versus the general move by market participants to reduce their exposure to the "Growth" theme. The 10-Year Bond Yields firmed slightly during the month, reflecting the growing expectation of the RBA not lifting Official Interest Rates for quite some time to come, with any pressures towards a lift in Inflation still not visible over the near-to-medium term. New Dwelling Price Inflation (a big driver of the Inflation Rate in recent years) is now exhibiting virtually no growth on the latest quarterly figures. The drop in the Unemployment Rate to 5% is still not considered to lead to a material lift in Real Wage Growth over the near term.

Top Contributors to the Portfolio Return:

Month	Stock Return %	Comment
SCA Property Group	7.1	Acquired a portfolio of ten Convenience-Based Centres from Vicinity Centres for $573 million, reflecting a Yield of 7.47% on a Fully-Let basis, inclusive of the Rental Guarantee.
Vicinity Centres	1.1	Sold 11 Neighbourhood and Sub-Regional assets (ten to SCA Property Group) for $631 million. This reflects an average 5.1% discount to the 30 June 2018 Book Values.
Australian Unity Office	7.5	Received an All-Cash Takeover proposal from Starwood Capital Group, at $2.95 per unit. The Responsible Entity has subsequently granted Starwood Due Diligence.

Negative Contributors to the Portfolio Return:

Month	Stock Return %	Comment
Stockland	-13.0	Provided a Quarterly Update to the market. As expected, Residential sales rates have moderated, whilst the Group remains on-track for over 6,000 Settlements in FY19. Retail Sales growth has seen Specialty Sales reach $9,313 per sqm.
Unibail-Rodamco-Westfield	-9.6	The Group confirmed an Adjusted Earnings Per Share for 2018 of €12.75 to €12.90 per share. The Group is also more than half-way through its €3 billion Asset Disposal Programme.
Mirvac Group	-10.0	In their Quarterly Update, Mirvac highlighted the strength of its Office Portfolio, achieving an 11.3% lift in Leasing Spreads, with Incentives sub-18%. In Residential, Sales have moderated, as the Group skews the business towards Master-Planned Communities at this stage of the cycle.

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